

# U.S. Exports of Rice Seen as Policy Tool

By Dan Morgan

Washington Post Staff Writer

Observers of American agriculture sometimes call rice the "diplomatic crop," since about 60 per cent of U.S. rice is exported, and about half of that is shipped under the Food for Peace program to promote foreign policy as well as alleviate hunger.

In Asia, this rice aid is critical to the economies of several of the United States' main military allies.

At home, a number of corporations have a large stake in the continuation of these federally subsidized shipments. A powerful congressional lobby also supports them.

Since 1969, for instance, the Connell Rice and Sugar Co. of Westfield, N.J., has sold more than half of all the rice tonnage shipped overseas (mainly to Asia) under Food for Peace contracts.

A congressional friend of company president Grover Connell is described by industry and government officials as one of the most influential legislators in getting rice allocated in the food aid program.

The member of Congress is Rep. Otto E. Passman (D-La.). Louisiana is one of five states in which rice farming is concentrated.

Few government officials were willing to talk on the record about Passman's extensive role.

One of the few who was—Irwin R. Hedges, coordinator of the program from 1969 to 1973—said that Passman was feared in the bureaucracy.

"He would call up threatening that we were intimidating private enterprise types by not going along with their prices," Hedges said. He added that a colleague in the Food for Peace program came to his office "trembling" after a call from Passman.

According to a number of diplomats, Passman has, in effect, instigated requests for food aid rice from foreign governments.

He has been known to summon diplomats to his office, discuss their countries' food deficit problems and extol the virtues of American rice. "The message is clear," said one diplomat.

Indonesian authorities said that subsequent to the signing of a contract for the commercial purchase of 110,000 tons of rice from the Connell Co. in 1973, Passman indicated that he would attempt to arrange food aid rice shipments as well.

By his own account, Passman also has helped sell U.S. rice for cash while visiting foreign countries at taxpayers' expense. Passman, who is chairman of the House Appropriations subcommittee that handles foreign aid, has done this in talks with leaders of countries that receive large amounts of American economic and military assistance, such as South Korea.

Although foreign officials conceded that Passman can smooth the way for rice shipments on extremely attractive Food for Peace credit terms, this can cause some difficulties.

One is that a ton of rice is more than twice as costly as a ton of wheat. Therefore, countries seeking to avert starvation tend to prefer to import wheat, since their dollar credits can buy twice as much food.

For his part, Passman said that his interests are broader than just supporting the American rice industry. "I support all American agriculture," he said.

Passman's Subcommittee on Foreign Operations of the House Appropriations Committee has no direct jurisdiction over the budget for the Food for Peace program. That is handled in the annual agricultural appropriations. However, government officials said that Passman has indirect influence, because his subcommittee handles the budget for the U.S. Agency for International Development, which in turn is in charge of food aid programs.

In fiscal year 1972, rice exports under Food for Peace accounted for 1.08 million tons of the 2 million tons exported. In fiscal year 1973, they made up 994,000 tons of the 1.6 million-ton total, and in 1974 rice accounted for 592,000 tons of the 1.8 million-ton total.

Close to a third of the Food for Peace budget went for rice in fiscal 1974, which ended last June 30. This was because U.S. rice prices were up sharply, the United States had massive commit-

ments to send food to Indochina, and there was less wheat or feed grain available than in previous years.

Since the mid-1960s, hundreds of thousands of tons of rice have been shipped to Indochina. The sales were financed by dollar credits provided by the United States under Food for Peace.

Proceeds from the local sale of the U.S. rice by the governments receiving it have also gone to help support the military budgets of Cambodia and South Vietnam. That practice was stopped by Congress as of June 30, 1974.

In South Korea, proceeds of the sale of the rice aid helped defray the Seoul government's expenses of sending combat troops to South Vietnam.

Since 1969, the Connell Co. has won the largest share of the Food for Peace contracts awarded by the buying agents of foreign governments with dollar credits available for food purchases here.

Connell, founded in 1912, is one of the country's largest rice traders. It buys rice from farm cooperatives, millers and farmers in all the rice-producing states and exports it to about 100 countries.

Rice industry sources say Connell's size, ample storage facilities and aggressiveness give it advantages over smaller rice mills and producers' associations.

According to unofficial records supplied by the Agriculture Department, Connell's share of the tonnage shipped under Food for Peace contracts in fiscal years 1969 through 1974 was 40 per cent, 75 per cent, 62 per cent, 63 per cent, 72 per cent and 54 per cent, in chronological order.

In fiscal 1974, with rice prices at record levels, Connell sold rice into the program with a total value of \$172 million, well ahead of such competitors as the Continental Grain, Cargill, and smaller milling firms.

Grover Connell, the company's president, says that the firm's share of the market is in line with its overall share of the commercial export trade.

Contract awards under the Food for Peace credit program are made on public tender, with competitive bidding and open disclosure.

"We're successful in Public Law 480 because we're the low bidder," he said. "We have the largest

amount of business because we sell cheaply—because our profit margins are smaller."

On Jan. 7, however, Connell won a contract to supply South Korea 60,000 tons of rice on a bid that was \$6 a ton higher than the offer of a competitor, Riceland Foods, of Stuttgart, Ark.

The Seoul government's buying agent in New York City—the Office of Supply of the Republic of Korea (OSROK)—claimed the Connell rice would be cheaper because of calculations on ocean freight rates. Connell's rice was to be delivered from the San Francisco Bay area, Riceland Foods' from Gulf ports. However, the Department of Agriculture, which reviews all Food for Peace awards, disagreed, and the department rejected the OSROK award. Subsequently, a compromise was worked out in which Connell provided 46,000 tons and Riceland Foods 10,000 tons.

Connell last week described OSROK as an "extremely tough buyer," which is effective in securing commodities at the lowest possible price in this country.

J. H. Park, of the OSROK organization in New York City, said last week that he knew Passman "very well . . . Mr. Passman is known in our country as 'pro-Korean.'"

However, he said that he never discusses individual Food for Peace contracts with the Louisiana congressman.

Meanwhile, there are indications that the rice trade under the Food for Peace program has now run up against political problems in Congress.

Officials of the U.S. rice industry concede that they have benefited greatly from the Food for Peace program. They are working hard in Washington to overcome a limitation enacted by Congress in December that could force the administration to divert food aid to needy countries that may not be military allies of the United States.

Sen. Mark Hatfield (R-Ore.) last week strongly condemned administration efforts to earmark \$107 million in food aid credits, mostly for rice buying, to South Vietnam in this fiscal year. He said the country harvested a 7 million-ton rice crop in 1974—300,000 tons larger than in 1973.

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